



GLOBAL INVESTMENTS
LIMITED

Global Investments Limited

(GIL or the Company)

FY2017 Financial Results

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1. Key Financial Highlights for 4Q 2017

Net Profit after tax

	4Q 17 S\$m	4Q 16 S\$m	Change (%)	Remarks
Net profit after tax	21.8	0.3	7,166.7	GIL and its subsidiaries (the Group) recorded a higher profit after tax of S\$21.8 million in the current quarter as compared to S\$0.3 million in 4Q 2016.

Revenue

	4Q 17 S\$m	4Q 16 S\$m	Change (%)	Remarks
Dividend Income	0.1	0.1	-	Revenue for the current quarter of S\$21.4 million was 2.6 times higher than the S\$6.0 million recorded in 4Q 2016. The higher revenue was mainly due to the net gain on sale of investments of \$16.8 million as compared to S\$0.3 million in 4Q 2016. The higher revenue was slightly offset by lower interest income and lower gain on financial assets designated as fair value through profit or loss.
Interest Income	3.9	4.7	(17.0)	
Net gain on sale of investments	16.8	0.3	5,500.0	
Net gain on financial assets designated as fair value through profit or loss	0.6	0.9	(33.3)	
Total revenue	21.4	6.0	256.7	

1. Key Financial Data for 4Q 2017

Expenses

	4Q 17 S\$m	4Q 16 S\$m	Change (%)	Remarks
Management fees	0.6	0.5	20.0	Expenses for the current quarter was higher at S\$5.7 million compared to S\$3.1 million in the same quarter last year. This was due mainly to higher net foreign exchange loss of S\$5.3 million as a result of the depreciation of currencies (USD, AUD, EUR, and HKD) against SGD. The higher expense was slightly offset by the reversal of 2H 2017 manager incentive fee of S\$0.7 million accrued in 3Q 2017. The incentive fee payable for 2H 2017 of S\$0.9 million has been waived by the manager.
Incentive fees	(0.7)	0.6	Nm	
Net foreign exchange loss (net of hedges)	5.3	1.5	253.3	
Finance costs	- *	- *	-	
Other operating expenses	0.6	0.5	20.0	
Total expenses	5.7	3.1	83.9	
(Net reversal of impairment expense)/Net impairment expense	(6.1)	2.6	Nm	During the quarter, the Group recognised a net reversal of impairment expense of S\$6.1 million for its portfolio of listed equities, bonds, bank contingent convertibles and collateralised loan obligation (“CLO”) securities. In 4Q 2016, a net impairment expense of S\$2.6 million was recorded for its portfolio of listed equities and bonds.
Profit before tax	21.8	0.3	7,166.7	
Income tax expense	- *	- *	-	
Profit after tax	21.8	0.3	7,166.7	

* Denotes amount less than S\$0.1m

Nm: not meaningful

1. Key Financial Data for 4Q 2017

Total comprehensive income

	4Q 17 S\$m	4Q 16 S\$m	Change (%)	Remarks
Other comprehensive income Items that may be reclassified subsequently to profit or loss Available-for-sale financial assets				Other comprehensive income for the Group amounted to a loss of S\$10.2 million in the current quarter versus a S\$9.8 million income in 4Q 2016. The negative other comprehensive income for the current quarter was mainly due to the reclassification of fair value gain of S\$15.5 million to profit or loss following reversals of impairment and sale of available-for-sale (“AFS”) financial assets. The loss was slightly offset by a fair value gain on AFS financial assets of S\$3.2 million and a translation gain of S\$2.1 million. In 4Q 2016, the other comprehensive income of S\$9.8 million was mainly attributed to fair value gain of S\$3.9 million and a translation gain of S\$5.1 million.
- Fair value gain	3.2	3.9	(17.9)	
- Reclassification to profit or loss	(15.5)	0.8	Nm	
Currency translation differences arising from consolidation				
- Gain	2.1	5.1	(58.8)	
Other comprehensive income for the period after tax	(10.2)	9.8	Nm	
Total comprehensive income for the period attributable to shareholders	11.7	10.1	15.8	Total comprehensive income for the quarter of S\$11.7 million was higher than the S\$10.1 million recorded in the same quarter of previous year.
Basic earnings per share (cents per share)	1.33	0.02	6,550.0	
Diluted earnings per share (cents per share)	1.33	0.02	6,550.0	

Nm: not meaningful

1. Key Financial Highlights for FY 2017

Net Profit after tax

	FY 17 S\$m	FY 16 S\$m	Change (%)	Remarks
Net profit after tax	39.0	17.1	128.1	Net profit after tax for FY2017 increased to S\$39.0 million as compared to S\$17.1 million last year.

Revenue

	FY 17 S\$m	FY 16 S\$m	Change (%)	Remarks
Dividend Income	1.4	1.3	7.7	Revenue for the current year was S\$46.7 million, 33.0% higher than the S\$35.1 million recorded last year. The higher revenue was mainly contributed by higher gain on sale of investments of S\$25.8 million as compared to S\$14.9 million last year. Net gain on financial assets designated as fair value through profit or loss of S\$2.5 million was also higher as compared to the net gain of S\$1.8 million in the prior year.
Interest Income	16.7	16.7	-	
Net gain on sale of investments	25.8	14.9	73.2	
Net gain on financial assets designated as fair value through profit or loss	2.5	1.8	38.9	
Other income	0.2	0.3	(33.3)	
Total revenue	46.7	35.1	33.0	

1. Key Financial Data for FY 2017

Expenses

	FY 17 S\$m	FY 16 S\$m	Change (%)	Remarks
Management fees	2.3	2.0	15.0	Expenses for the current year was higher at S\$11.1 million as compared to S\$7.2 million last year. This was mainly due to the manager incentive fee of S\$4.2 million in the current year compared to S\$0.6 million in the prior year. For the full year, a total of S\$2.7 million of incentive fee has been waived by the manager.
Incentive fees	4.2	0.6	600.0	
Net foreign exchange loss (net of hedges)	2.4	2.5	(4.0)	
Finance costs	- *	- *	-	
Other operating expenses	2.1	2.1	-	
Total expenses	11.1	7.2	54.2	
(Net reversal of impairment expense)/Net impairment expense	(3.4)	10.8	Nm	For the year ended 31 December 2017, the Group recognised a net reversal of impairment expense of S\$3.4 million arising from the portfolio of listed equities, bonds, bank contingent convertibles and CLO notes. For the year ended 31 December 2016, the Group recognised a net impairment expense of S\$10.8 million arising from the portfolio of listed equities, bond and CLO notes.
Profit before tax	39.0	17.1	128.1	
Income tax expense	- *	- *	-	
Profit after tax	39.0	17.1	128.1	

* Denotes amount less than S\$0.1m

Nm: not meaningful

1. Key Financial Data for FY 2017

Total comprehensive income

	FY 17 S\$m	FY 16 S\$m	Change (%)	Remarks
Other comprehensive income Items that may be reclassified subsequently to profit or loss Available-for-sale financial assets				Other comprehensive income for the year ended 31 December 2017 amounted to a loss of S\$8.8 million versus S\$10.0 million income in the prior year. The negative other comprehensive income for the year was mainly due to the reclassification of fair value gain to profit or loss of S\$17.8 million following reversal of impairment and sale of AFS financial assets. A translation loss of S\$3.5 million was recorded following the depreciation of USD against SGD. The loss was partially offset by a net fair value gain of S\$12.4 million on AFS financial assets.
- Fair value gain	12.4	7.8	59.0	
- Reclassification to profit or loss	(17.8)	1.6	Nm	
Currency translation differences arising from consolidation				In the prior year, the other comprehensive income of S\$10.0 million was largely attributed to fair value gain of S\$7.8 million and the reclassification of fair value loss of S\$1.6 million to profit or loss following the impairment and sale of AFS financial assets.
- (Loss)/Gain	(3.5)	0.6	Nm	
Other comprehensive income for the period after tax	(8.8)	10.0	Nm	
Total comprehensive income for the period attributable to shareholders	30.1	27.0	11.5	The Group's total comprehensive income increased to S\$30.1 million from S\$27.0 million recorded in the prior year.
Basic earnings per share (cents per share)	2.43	1.14	113.2	
Diluted earnings per share (cents per share)	2.43	1.14	113.2	

Nm: not meaningful

Statement of Financial Position

	Group as at 31 Dec 2017 S\$m	Group as at 31 Dec 2016 S\$m	Change %	Remarks
Assets				
Non-current assets				
Loans and receivables	35.6	54.0	(34.1)	The loans and receivables balance as at 31 December 2017 was S\$35.6 million, a decrease of S\$18.4 million from S\$54.0 million as at 31 December 2016. It comprised investments in CLO notes, Asset Backed Securities (ABS) and a bond. The lower balance was mainly due to redemption of residential mortgage-backed securities (RMBS) and CLO notes during the year.
Available-for-sale financial assets	109.2	128.1	(14.8)	The AFS financial assets of S\$109.2 million as at 31 December 2017 comprised investments in bonds and bank contingent convertibles. The decrease of S\$18.9 million from S\$128.1 million as at 31 December 2016 was mainly due to net disposal of investments during the year, slightly offset by an increase in valuation.
Financial assets at fair value through profit or loss	59.0	63.0	(6.3)	The financial assets at fair value through profit or loss was S\$59.0 million as at 31 December 2017 as compared to S\$63.0 million as of 31 December 2016. It comprised investments in a portfolio of bonds and bank contingent convertibles. The decrease of S\$4.0 million during the period was due to the net disposal of investments, offset by an increase in valuation.
Total non-current assets	203.7	245.1	(16.9)	
Current assets				
Cash and cash equivalents	88.1	21.9	302.3	The higher cash and cash equivalents of S\$88.1 million as at 31 December 2017 compared to S\$21.9 million as at 31 December 2016 was mainly due to net disposal and redemption of investments.
Available-for-sale financial assets	38.1	45.8	(16.8)	Comprised of investments in listed equities. The decrease was mainly due to net disposals during the year.
Financial assets at fair value through profit or loss	-	0.5	Nm	Comprised investments in bonds maturing within a year.
Other assets	7.3	3.2	128.1	
Total current assets	133.6	71.4	87.1	
Total Assets	337.3	316.5	6.6	
Liabilities				
Other liabilities	4.4	5.7	(22.8)	
Total Liabilities	4.4	5.7	(22.8)	
Net assets attributable to shareholders	332.9	310.8	7.1	
Equity				
Share capital	563.5	549.4	2.6	
Capital reserve	(65.8)	(65.8)	-	
Available-for-sale financial assets revaluation	7.6	13.0	(41.5)	
Translation reserve	11.1	14.6	(24.0)	
Accumulated losses	(183.5)	(200.4)	(8.4)	
Total equity	332.9	310.8	7.1	
Net asset value per share (S\$ per share)	0.2014	0.2003	0.5	

Nm: not meaningful

Statement of Financial Position

Net asset value

	FY 17	FY 16	Change (%)	Remarks
Net asset value per share (S\$ per share)	0.2014	0.2003	0.5	If the 2016 final dividend was paid and the shares relating to the Scrip Dividend Scheme had been issued before 31 December 2016, the net asset value per share as at 31 December 2016 would have been 19.08 Singapore cents instead of 20.03 Singapore cents per share. After adjusting for the 2017 interim dividend and shares relating to the Scrip Dividend Scheme, the net asset value per share as at 31 December 2017 would have been 20.95 Singapore cents and the increase in net asset value per share would be 9.80%.
	0.2095 (after adjustment for dividend paid and shares relating to the Scrip Dividend Scheme)	0.1908 (after adjustment for dividend paid and shares relating to the Scrip Dividend Scheme)	9.8	

Dividend

	FY 17 S\$m	FY 16 S\$m	Change (%)	Remarks
Dividend	20.4	22.9	(10.9)	Dividend distribution per share totalled 1.25 Singapore cents (based on larger 1,652,574,643 shares) in FY2017. The total amount of dividend to be paid decreased by 10.9% to S\$20.4 million in FY2017 from S\$22.9 million in FY2016.

Statement of Financial Position

Return on Equity

	FY 17 %	FY 16 %	Change (%)	Remarks
Return on Equity	12.1	5.7	112.3	The Group achieved higher return on equity (computed based on net profit after tax over the average total equity) of 12.1% in 2017 as compared to 5.7% in 2016 mainly due to a higher profit after tax.

Earnings per Share

	FY 17 cts	FY 16 cts	Change (%)	Remarks
Earnings per Share	2.43	1.14	113.2	The Group achieved earnings per share of 2.43 Singapore cents (based on weighted average number of shares of 1,600.06 million after taking into account the additional shares issued pursuant to the scrip dividend scheme) in 2017 as compared to 1.14 Singapore cents (based on weighted average number of shares of 1,492.34 million) in 2016.

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2. Corporate Overview

❑ **Scrip Dividend Scheme**

- ❑ On 11 August 2017, the Company announced that the Scrip Dividend Scheme would be applied to the interim dividend of 0.65 Singapore cents per share.
- ❑ The Company allotted and issued 44,124,386 new ordinary shares at an issue price of 14.5 Singapore cents for each new share.
- ❑ The proportion of the total interim dividend amount issued as new shares pursuant to the Scrip Dividend Scheme was approximately 61.19%.
- ❑ New shares were listed on 17 October 2017.

❑ **2017 Dividend Distribution**

- ❑ Interim dividend of 0.65 Singapore cents per share was paid on 16 October 2017.
- ❑ Final dividend of 0.60 Singapore cents per share is declared on 20 February 2018.
- ❑ The Scrip Dividend Scheme will be applied to the final dividend of 0.60 Singapore cents per share for FY2017.
- ❑ Based on closing share price of 14.6 cents on 29 December 2017, the full year dividend distribution of 1.25 Singapore cents per share represented an annual dividend yield of 8.56%.

2. Corporate Overview

❑ **Change in Dividend Policy**

- ❑ On 14 August 2017, the Company announced a change in dividend policy. The Company had been paying out the majority of the economic income received from its investments after payment or provision for operating and financing expenses as dividend. With the change, the Company will be paying out most of the profit after tax taking into consideration its requirement for future growth. This change is to better align the dividend payments with profit and ensure that the Company is able to pay dividend on a sustainable basis. Unlike economic income, profit after tax is reported in the financial statements and hence investors will be able to relate it to the dividend paid.

❑ **Corporate Governance**

- ❑ The Singapore Governance and Transparency Index 2017 (SGTI 2017) was released in The Business Times on 2 August 2017. The Company was ranked 38th out of 606 listed companies in the SGTI 2017. The Company's base SGTI score was 63 points and was given a further 19 bonus points, totalling up to a final score of 82 points, in comparison to last year's final score of 75 points.

2. Corporate Overview

❑ **Change of Company's Secretary**

- ❑ On 30 November 2017, the Company announced the appointment of Mr Mark Harold Ignatius as its Secretary in place of Ms Janice Loraine Haskins with effect from 30 November 2017.

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3. Portfolio Composition (By Asset Class*)

Asset Class	As At 31 December 2017	As At 31 December 2016	Change In Percentage Point
Loan Portfolio And Securitisation Assets	9.1%	16.5%	▼ 7.4
Bonds	19.2%	26.2%	▼ 7.0
Bank Contingent Convertibles	32.8%	38.8%	▼ 6.0
Listed Equities	11.5%	12.3%	▼ 0.8
Cash And Other Assets	27.4%	6.2%	▲ 21.2

* Percentage of the Company's Net Asset Value.

3. Portfolio Composition (By Currency Exposure*)

Currency	As At 31 December 2017	As At 31 December 2016	Change In Percentage Point
SGD	30.9%	41.2%	▼ 10.3
USD	27.8%	24.1%	▲ 3.7
EUR	20.2%	18.0%	▲ 2.2
AUD	8.1%	7.6%	▲ 0.5
GBP	3.0%	2.8%	▲ 0.2
HKD	8.1%	2.7%	▲ 5.4
CNH/CNY	1.2%	2.2%	▼ 1.0
KRW	0.7%	1.4%	▼ 0.7

* Percentage of the Company's Net Asset Value after currency hedge.

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Loan Portfolio and Securitization Assets

- ❑ Moody's Global Speculative-Grade Corporate Default Rate ended Q4 2017 at 2.9%, down from 4.4% at the end of Q4 2016. For 2018, Moody's expects the default rate to continue its downward path and to close the year under 2%, citing the pick-up in global economic momentum, low refinancing risk, and healthy corporate liquidity profiles.

- ❑ Improving macroeconomic conditions and the continued hunt for yield along with investor preference for floating rate notes in a rising-rate environment will likely continue to compress spreads for this asset class in 2018. There remains a risk that turbulence in the underlying leveraged loans market can cause a reversal of this trend.

Bank Contingent Convertibles

- ❑ A progressive rising rates macro environment for banks is expected to further improve bank earning fundamentals after the successful recapitalization and de-risking efforts of banks in 2017. The Basel IV regulations announced in 4Q17 further reduced regulatory risk for the CoCo market in the medium term while laying the groundwork for ongoing regulatory capital build in order to meet the new requirements.

- ❑ The unwinding of central banks' balance sheets and the subsequent impact on spreads alongside uncertainty over political events in the near term are important headwinds for investors to consider in 2018.

4. Sector Outlook

Bonds

- ❑ As the Fed continues to raise rates, the ECB has begun tapering its QE programme, albeit slowly. More central banks around the world can be expected to join the normalisation bandwagon, if inflation picks up. Solid operating performance should be supportive of credit fundamentals although investors will be watching for releveraging of corporate balance sheets in advance of rising interest rates.

Listed Equities

- ❑ Current global economic growth momentum should be a positive factor for equity markets. However, markets are also starting from a high after a strong performance in 2017, with historically high valuations and low volatility. The markets could be hit with bouts of volatility if investors perceive a threat to this rosy outlook.

Summary

- ❑ Although momentum for global economic growth is expected to carry over from 2017 to 2018, investors remain wary of elevated equity valuations and tight credit spreads. Some events that could cause market turbulence are:
 - Accelerating global inflation and its impact on central banks' monetary policies
 - Increased pace and magnitude of interest rate hikes under a new Fed Chair/Board of Governors
 - Faster than expected normalisation of the Fed's balance sheet
 - Early tapering by the ECB
 - Uncertainty surrounding post-Brexit negotiations with the EU
 - Volatility in commodities prices

4. Company Outlook

❑ **Future Direction and Growth Strategy of GIL**

- ❑ To grow its assets and seek new investments that will generate steady income and potential appreciation in capital to deliver regular dividends and achieve capital growth.
- ❑ Active management of GIL's assets with focus on optimizing risk-adjusted asset returns.

❑ **Investment Objective**

- ❑ To seek investment opportunities in high yield credits, hybrid instruments, public and private equities, operating lease assets and securitisation assets.
- ❑ Given the current state of the financial markets, the Company will be selective and focus on fundamental bottom-up analysis, with preference for assets with defensive characteristics, and good cash flow generating ability.